

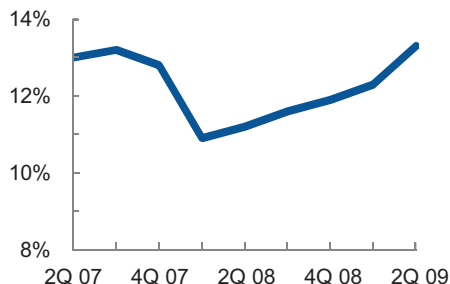
# Industrial Trends Report—Second Quarter 2009

## Atlanta, GA



**GRUBB & ELLIS**  
From Insight to Results

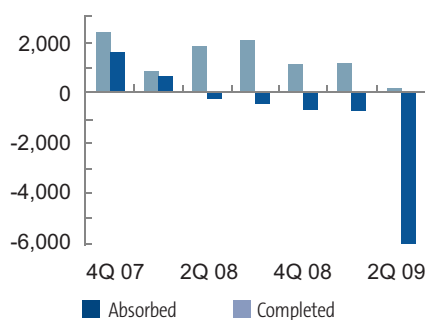
**Vacancy Rate**  
Quarterly



The overall industrial vacancy rate increased by 100 basis points during the second quarter, primarily due to business closures, downsizing and consolidations. A local and nationwide drop in demand for goods and services led to a pullback among industrial space users as activity in nearly every industry sector fell sharply.

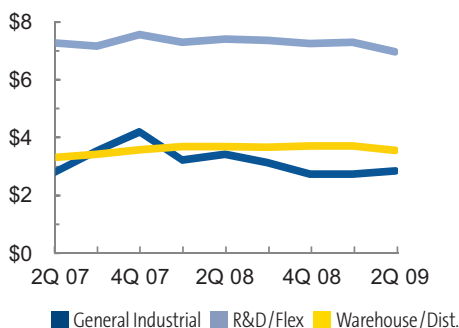
According to the 2010 Georgia Manufacturers Register, the state lost 48,904 industrial jobs and 515 manufacturers from April 2008 to May 2009, marking the sharpest decline ever reported for Georgia. Along with the rest of the nation, the recession continues to hammer core sectors. A floundering housing market has affected wood, furniture and building products, leading to declining conditions for an already suffering textile industry. In fact, employment in the textiles and apparel sectors dropped by 13,219 jobs over the last year.

**Completions vs. Absorption**  
Quarterly (in Thousands of SF)



Recent announcements of plant closures and layoffs, coupled with corporate downsizings and restructures led to a second quarter negative absorption of nearly 6 million square feet. Companies such as Stock Building Supply, which has seen a drastic drop in revenue from the ailing housing and construction sectors, have announced the cancellation of 142 leases across the country. At least four of their locations in Georgia will be closing. Public storage facilities, which have historically been recession resistant, have taken a direct hit during this economic downturn due to the most remarkable decline in consumer spending in more than two decades. With recent GM bankruptcy and the closure of their Doraville facility the near future isn't so bright for auto suppliers. Businesses dependent on the auto industry are experiencing significant losses in revenue and possible layoffs and closures. Tire plants and auto parts manufacturers are feeling the pain as companies like General Parts are reporting significant quarterly losses, causing a ripple effect on transportation, manufacturing and distribution facilities in the Atlanta market.

**Asking Rental Rates**  
Quarterly (\$/SF/Yr. Triple Net)



### FORECAST

- Short-term renewals and extensions will continue as tenants avoid long-term leases
- Effective rental rates will decline as landlords compete for new tenants in the marketplace
- As rental rates and concessions become more competitive, tenants will seek out space upgrades in more desirable submarkets
- Manufacturing occupancy growth will struggle until the housing and retail sectors rebound, which may not occur until mid-2010

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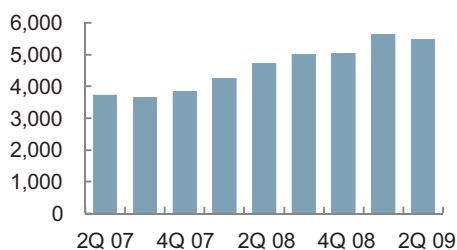
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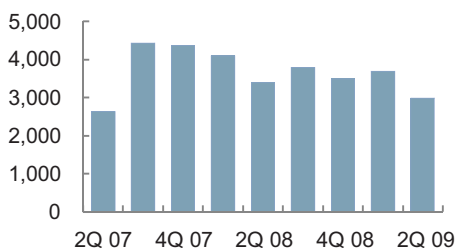
**Available Sublease Space**  
Quarterly (in Thousands of SF)



Companies such as Shaw Industries in Griffin and American Fibers and Yarns in South Georgia shut down as a result of current market conditions and Pilgrim's Pride recently announced the closure of their 900 worker facility in Dalton. Caterpillar laid off 289 employees, shutting the doors at their Jefferson and Griffin facilities. Trinity North American Freight Car plans to idle 650 employees at their Cartersville location and Rheem will close their 500,000-square-foot plant in Milledgeville, laying off 650 employees and consolidating their operations to Mexico. Ceradyne, a solar cell manufacturer that currently employs 120 at their DeKalb County facility, may possibly leave Georgia due to competing economic incentives. However, Georgia's commitment to attracting and retaining new business has resulted in another solar cell manufacturing company, Suniva, locating their new headquarters in the I-85/Northeast submarket. Additionally, Lockheed Martin faces uncertainty about their operations with the recent announcement by the Pentagon of the F-22 Raptor production being scaled-down or eliminated.

Food products manufacturing has replaced textiles and apparel as the state's top industrial sector, with approximately 69,560 of the state's jobs. Further solidifying this sector is the recent announcement by General Mills that it will invest \$42 million to open a new regional distribution center in Social Circle. Machinery and equipment employment, accounting for 45,680 of Georgia's jobs, has dropped significantly since 2008 but is expected to strengthen when NCR Corporation locates its ATM manufacturing operations to Columbus.

**Under Construction**  
Quarterly (in Thousands of SF)



### MARKET ACTIVITY

The Fulton Industrial/I-20 West submarket was hardest hit with negative 2,517,096 square feet of net absorption. The largest square foot give-back of space to the market was due to Maytag vacating 527,000 square feet at 1265 Terminus Drive. Maytag is moving to the new Whirlpool facility in McDonough later this year. Steelcase shut down operations at 660 Campbell Court, vacating 224,000 square feet and Signature Designs closed shop, vacating 157,000 square feet at 4970 Fulton Industrial Boulevard. One of the most significant tenant move-outs was Sanderson Industries, who vacated a total of 115,000 square feet in two buildings on Atlanta Industrial Parkway in an effort to consolidate their operations. On a positive note, Phillips-Van Heusen renewed 561,000 square feet at 420 Lee Industrial Boulevard.

The Chamblee/Doraville/Norcross submarket also suffered significant occupancy losses this quarter with negative net absorption of 839,226 square feet. One of the largest move-outs was Choice Cabinets vacating 110,860 square feet at 6485 Crescent Drive, bringing that building to 43 percent vacant. Additionally, Omega Moulding vacated 64,000 square feet at 2650 Button Gwinnett Drive and Caraspace consolidated, vacating 47,800 square feet at 5065 Buford Highway. Similar to the I-20 West/Fulton Industrial submarket, there is some significant renewal and leasing activity in the pipeline, such as the 130,000-square-foot lease renewal by Victory Packaging Company at 6250 Brook Hollow Parkway. A handful of mid-sized leases were also signed, with occupancy taking place in the third and fourth quarters.



“With an economic rebound not expected to occur until later this year, landlords are aggressively and competitively offering incentives to retain and attract tenants.”

In the Northeast submarket, 602,250 square feet was returned to the marketplace. The largest contributors to the vacancy increase in this submarket were Ritz Camera and Bari Italian Foods, both of which ceased operations and vacated 196,215 square feet and 159,759 square feet, respectively. New leases were also signed this quarter and earlier this year that will have a positive impact on the vacancy later this year, such as the 66,500-square-foot space leased by Team 1 Auto Repair at 1911 Satellite Boulevard and Fischbein, a material handling manufacturer, who leased 73,000 square feet at 410 Horizon Drive. Additionally, Beltmann Group renewed their 96,160-square-foot space at Buford Highway Distribution Center.

South Atlanta also experienced a significant decrease in occupancy this quarter, recording 487,021 square feet of negative net absorption. One of the largest space give-backs consisted of Aero Plastics, which downsized by 298,000 square feet at 237 Greenwood Industrial Boulevard. Warehouse Basics and Alpha Incorporated also vacated a total of 165,000 square feet at 120 Declaration Drive. Conglobal, which reconditions and sells cargo containers, vacated 80,000 square feet at 319 McDonough Boulevard. Despite the increase in unoccupied space this quarter, South Atlanta is expected to recover over the next several months as tenants move into recently leased space. Southeastern Paper Group will expand into 258,762 square feet at 2400 Sullivan Road and Peachtree Logistics will move into the remaining 145,304 square feet at 5395 Oakley Industrial Boulevard. Ceva Logistics also recently signed a 154,000-square-foot lease at 125 Southside Court and is expected to occupy in the fourth quarter.

## OUTLOOK

Contrary to the current economic climate and large-scale space give-backs this quarter, there is reason for optimism as of mid-year 2009. Blackberry manufacturer Research In Motion is expanding in Atlanta with plans to develop their new 200,000-square-foot facility in Alpharetta. NCR also plans to hire more than 2,000 new workers in Duluth and Columbus in addition to their recent expansion in Peachtree City. Even in the face of the meltdown of the auto industry, Kia is moving forward with development of their new facility and has hired 700 employees for their west Georgia factory, which is scheduled to go into production in December. Johnson Controls, a Kia auto supplier, is hiring 100 production workers for its 130,000-square-foot plant being built in West Point. A startup company, Carbon Motors Corporation, announced orders for the production of 10,000 police cars and is potentially seeking a site in Braselton. Also, discount grocer Aldi is reportedly eyeing a site in Jefferson with plans to build a 780,000-square-foot distribution facility.

With an economic rebound not expected to occur until later this year, landlords are aggressively and competitively offering incentives to retain and attract tenants. Though occupancy losses were great in the second quarter, a plethora of new lease signings may suggest the worst is over for the industrial market. Additionally, Georgia lawmakers are drawing up a bill offering further incentives and tax breaks to companies who come into the area that offer competitive salaries. With its highly qualified labor pool, competitive rents and access to destinations throughout the Southeast and beyond, Metro Atlanta will be positioned well once businesses enter an expansion phase.

# Industrial Snapshot—Second Quarter 2009

## Atlanta, GA



By Submarket	Total SF	Vacant SF	Total Vacancy %	NET ABSORPTION		Under Construction SF	ASKING RENT	
				Current	Year To Date		WH/Dist	R&D/Flex
Airport/South Atlanta	138,713,231	20,526,952	14.8%	(485,571)	(640,630)	42,000	\$2.97	\$5.28
Carrollton/I-20W	3,293,433	106,500	3.2%	1,800	(6,200)	-	\$1.74	-
Central Atlanta	17,460,659	1,439,204	8.2%	(107,146)	(195,511)	-	\$4.29	\$7.33
Chamblee/Doraville/Norcross	76,598,019	8,735,747	11.4%	(831,226)	(789,703)	-	\$4.94	\$7.39
Chattahoochee Industrial	26,700,990	2,420,019	9.1%	(344,335)	(421,127)	-	\$4.40	\$7.16
Fulton Industrial/I-20W	86,412,838	13,646,235	15.8%	(2,517,096)	(2,108,615)	-	\$2.74	\$4.21
North Central/GA 400 Corridor	25,995,216	3,660,202	14.1%	(179,939)	(263,510)	-	\$5.77	\$8.32
Northeast/I-85 Corridor	96,268,598	13,704,216	14.2%	(542,250)	(840,158)	-	\$3.78	\$7.12
Northwest/I-75 Corridor	59,988,837	7,781,439	13.0%	(431,042)	(1,131,007)	20,000	\$4.32	\$7.91
Snapfinger/I-20E	31,420,046	3,990,364	12.7%	(365,261)	(398,210)	-	\$3.41	\$5.95
Stone Mountain	28,093,220	2,520,999	9.0%	(167,876)	55,907	-	\$4.20	\$5.94
Totals	590,945,087	78,531,877	13.3%	(5,969,942)	(6,738,764)	62,000	\$3.56	\$6.97

							ASKING RENT
By Property Type							
General Industrial	79,937,508	2,929,544	3.7%	(10,160)	(29,338)	-	\$2.86
R&D/Flex	69,539,466	10,280,965	14.8%	(863,806)	(999,288)	-	\$6.97
Warehouse/Distribution	441,468,113	65,321,368	14.8%	(5,095,976)	(5,710,138)	62,000	\$3.56
Totals	590,945,087	78,531,877	13.3%	(5,969,942)	(6,738,764)	62,000	\$3.95



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## INDUSTRIAL TERMS AND DEFINITIONS

**Inventory:** Industrial Inventory includes all multi-tenant, single tenant and owner-occupied buildings at least 10,000 square feet.

**Industrial Product Types:** Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

**Vacancy and Availability:** The vacancy rate is the amount of physically vacant space divided by the inventory and in-

cludes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

**Net Absorption:** The net change in physically occupied space over a period of time.

**Asking Rent:** The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and

common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighted by the amount of available space in the building.

\* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.